

# Report Card

TEACHERS' FUND FOR RETIREMENT

JUNE 2004



## Retiree Re-employment Changes Being Studied

TFFR recently submitted a study bill (Bill No. 50) to the interim Legislative Council Employee Benefits Programs Committee for consideration in the 2005 legislative session. The study bill reenacts IRS compliance language and contains changes to retiree re-employment provisions.

Under current law, after a 30-day waiting period, a retiree may return to TFFR covered employment for a maximum number of hours and continue to receive a monthly retirement benefit. The maximum annual hour limit is based on length of contract duties.

9 month contract =	700 hours
10 month contract =	800 hours
11 month contract =	900 hours
12 month contract =	1000 hours

Substitute teaching, extracurricular duties, and continuing professional development do not apply to the annual hour limit.

Proposed legislative changes would require employer and employee contributions to be paid on all salary received by the retiree under all re-employment situations (except substitute teaching). Employers would follow the same employer payment plan model for retired members as they follow for active members. The retiree would not earn additional service credit, member contributions would not be refunded, and the retirement benefit would not be adjusted (unless the retirement benefit is suspended and re-retirement occurs).

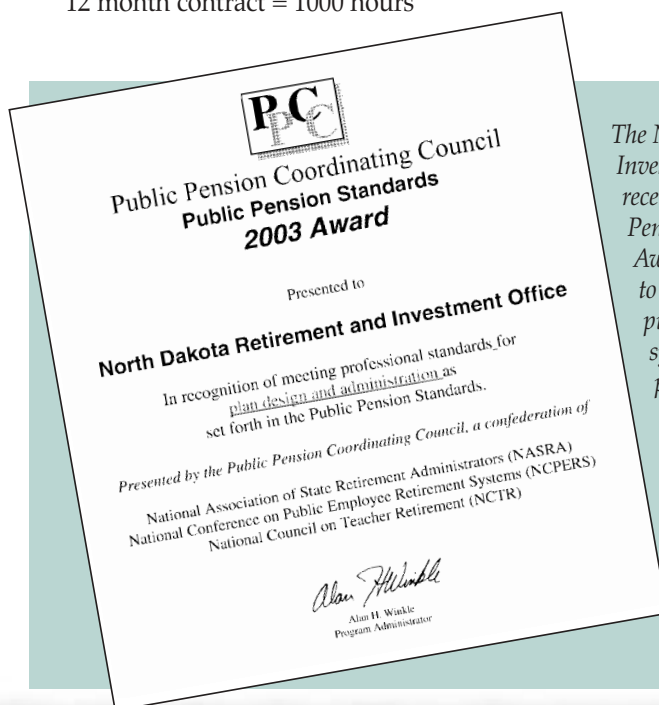
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*Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.*



*The ND Retirement and Investment Office has again received the prestigious Public Pension Principles Achievement Award. This award is designed to recognize and commend public employee retirement systems that adhere to high professional standards.*

*ND RIO qualified for this achievement award based on compliance with specific principles in the areas of plan design and administration.*

# *Honesty is the Best Policy*

Maybe it's the Mother's Day card I put in the mail last week. Or the phone conversation a few days ago. Or maybe (probably) it's because when issues get cloudy, I find myself thinking of what Mom drilled into my head over the years.

1. Honesty is the best policy.
2. When the going gets tough, get going on a plan.

*Sound familiar?*

As reported to you in previous newsletters, TFFR, like most individual and institutional pension plans around the country experienced severe investment losses in 2001-03. Pension funds like TFFR count on investment earnings of at least 8% annually to generate enough income to pay future retirement benefits.

In all honesty, TFFR didn't generate the investment returns needed. As a result, TFFR's funding level decreased from over 100% in 2000, to 85% in 2003. Our actuary has projected that TFFR's funding condition will probably continue declining as deferred investment losses are recognized.

In addition to the investment losses, people are living longer and teachers are retiring earlier. As a result, a large generation of retired teachers will need contributions from a population of working age teachers that is shrinking continuously due to declining student population. This active member decline also has negative funding consequences.

But there is a bright side to this picture. Since the July 1, 2003 actuarial report was delivered to TFFR in November 2003, the markets have rebounded and are performing exceptionally well. In fact, for the calendar year (January 1, 2003 - December 31, 2003), TFFR earned 27.4% on investments. For fiscal year-to-date (July 1, 2003 - April 30, 2004), TFFR has earned an estimated 17.0%.

How long will the market rally last? How will it change TFFR's funding picture?

While no one can predict the future, we do know the past year of TFFR record performance is helping to ease the pension funding situation. In fact, should the markets eventually return to a more "normal" level, it is possible that over the long term, TFFR funding ratios could also return to a healthy level.

TFFR Board members, as fiduciaries for the pension trust fund, are focusing on how to address TFFR funding issues. In the past six months, they have worked with member and employer interest group representatives (NDEA, NDCEL, NDRTA, and NDSBA). The Board and Benefits Committee has closely studied the problem, monitored investment progress, and considered the possible legal and actuarial implications of increasing contributions and/or reducing benefits.

The TFFR Board and Benefits Committee concluded that unless future investment earnings make up all that has been lost in the past three years, it may be prudent, at some point in the future, to make changes to the TFFR contribution rate and/or benefit structure. This would improve the funding level and overall financial health of TFFR and help to sustain the essential elements of the existing defined benefit structure.

At this time, the TFFR Board is not proposing legislation that would change the retirement contribution and/or benefit structure. However, the Board is:

- Closely monitoring investment performance and giving the markets a chance to recover and stabilize before making any long term decisions affecting members and employers.



Fay Kopp  
Deputy Executive Director

- Conducting an actuarial experience study and asset liability modeling study in 2004-05 which will give updated information to judge the status of the system.

- Filing a study bill with the interim Legislative Council Employee Benefits Programs Committee to reenact IRS compliance language and require employee and employer contributions for retirees who return to work. (See related article on front page.)

- Developing an alternative legislative plan should future investment returns be average or poor, and TFFR funding condition projected to worsen. The alternative plan includes employer contribution changes and benefit changes FOR NEW HIRES ONLY.

*While your pension benefits are secure and will be paid to you at retirement as promised, it's going to take time, a strong economy, and healthy market conditions before we see TFFR's funding level improve.*

And that's the best plan we have for now. Honest.

# TFFR Outreach Services

## BENEFITS COUNSELING PROGRAM

Individual 30-minute benefits counseling appointments are available to all members to discuss TFFR benefits and other retirement concerns. Call 701-328-9886 or 800-952-2970 to schedule an appointment today.

Grand Forks	September 15-16, 2004
Williston	September 22, 2004
Dickinson	September 23, 2004
West Fargo	October 6-7, 2004
Devils Lake	October 27, 2004
Bottineau	October 28, 2004
Minot	November 3-4, 2004
Wahpeton	November 15, 2004
Jamestown	November 16, 2004
Fargo	December 1-2, 2004

TFFR Program Outreach Sites  
1991-2004



## PRE-RETIREMENT SEMINARS

9 am to 4 pm Each Day

The six hour pre-retirement planning seminars cover TFFR benefits, financial planning, estate planning, Social Security benefits, and health insurance.

Dickinson	August 12, 2004
Valley City	August 23, 2004

Pre-retirement Seminar Sites (please select one):

☐ Dickinson ☐ Valley City

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Home phone: \_\_\_\_\_ Work phone: \_\_\_\_\_

Will your spouse/guest be attending? ☐ Yes ☐ No

If your spouse/guest is also a teacher,

please provide SSN: \_\_\_\_\_

Mail to: ND Retirement and Investment Office  
P.O. Box 7100, Bismarck, ND 58507-7100

Since beginning the Outreach Program, TFFR Benefit Counselors have visited over 70 different locations throughout the state of North Dakota! Many of the sites are visited every year. The attendance and feedback from these programs has been very positive. We are happy to offer several opportunities for the membership to meet with a TFFR Benefit Counselor in 2004-05.



## Retiree Re-employment Changes Being Studied

(continued from cover story)

However, the retiree could continue receiving their monthly TFFR retirement benefit and could also receive salary from the school district without forfeiting the retirement benefit.

Proposed legislation would also remove the June 30, 2005, sunset provision and make permanent the option for retirees to return to TFFR covered employment full time in critical shortage areas and continue receiving retirement benefits. A one-year waiting period is required if the member retired after January 1, 2001. Employer and employee contributions would also be required on all salary received by the retiree.

The number of TFFR retirees who return to teach continues to increase. (See chart on this page for summary statistics.) The TFFR Board believes changes to the current retiree return to work provisions are needed. Why?

1. TFFR is concerned that members may be retiring earlier than they normally would because of their ability to return to work on a part time basis and not having to pay retirement contributions on the salary they receive. Generally



speaking, early retirement incentives negatively affect the funding of TFFR.

2. TFFR is also concerned that employers may be using retirees (because no retirement contributions are required) to fill vacant positions instead of hiring new employees. This results in TFFR "losing" the employer contribution that would be paid if a new employee were hired instead of a retiree. Additionally, in some cases, if young teachers are not able to find teaching positions in the state, they leave to teach elsewhere.

3. TFFR believes that using the retirement system to deal with the teacher shortage problem may not be the best avenue for addressing teacher shortages because of its resulting negative impact on TFFR.

4. Due to the increasing number of members that are retiring earlier than expected, and their positions not being replaced by new employees, TFFR experiences a small actuarial loss. Requiring member and employer contributions to be paid on salaries of retirees who return to work should help to neutralize the impact of earlier retirement and fewer contributing members.



## RE-EMPLOYMENT NOTIFICATION FORM

A TFFR Retired Member Employment Notification Form must be completed EACH year a retiree is hired by a TFFR employer. The completed form must be signed by both the employer and retiree, and returned to TFFR within thirty days.

Failure to notify TFFR may result in the loss of one month's annuity benefit. In addition, employers are subject to a penalty of \$250 for failure to file required reports/forms with TFFR and foundation payments can also be withheld until the TFFR requirements are met.

It is important that retirees, employers, and TFFR work together to make sure retiree re-employment is handled correctly.

### Retiree Re-employment Summary Statistics

	1999	2004
Number of retirees who returned to teaching*	26	92
Superintendents/ Administrators	9	26
Teachers	17	66
Average age	62	60
Average salary	\$13,000	\$22,000

\*Includes retirees who returned to teach under the general rule, critical shortage area exception, or suspend and recalculation option.

*Have a  
great  
summer!*

*From all of us at...*



**NORTH DAKOTA  
RETIREMENT AND  
INVESTMENT OFFICE**

*Teachers' Fund for Retirement  
State Investment Board*

# *Frequently Asked Questions... and the Answers!*

*Q Should I list more than one person as my beneficiary?*

*A* If you are married, your spouse must be named as your primary beneficiary unless you have written spousal consent to name multiple or a non-spouse beneficiary. However, by listing these types of beneficiaries you are not making available to your spouse the life-time payment option should you pass away before retirement.

*Q How much time do I need to work in a school year to get one year of service credit?*

*A* Once a teacher is compensated for 700 hours during a fiscal year (July-June), one year of service credit is earned. If compensated less than 700 hours, service credit is earned in proportion to 700 hours.

*Q How soon do I have to notify you of my retirement?*

*A* We would like at least a 90 day advanced notice. However, we will pay benefits retroactive to your retirement date.

*Q How can I learn about the retirement process?*

*A* Benefits counseling sessions are offered throughout the state or members may visit our office. During these sessions, TFFR members can discuss a wide variety of retirement concerns including, health insurance coverage, purchasing of service credit, benefit amounts and options, taxes, and the final retirement details.

*Q Are there some new benefit payment options available for retirement?*

*A* Yes, effective August 1, 2003 we have a 20-year Term Certain & Life option which replaces the 5-year Term Certain and Life option. We also added a Partial Lump Sum Distribution Option (PLSO) for members eligible for an unreduced retirement annuity to provide a lump sum cash payment in exchange for a permanent monthly benefit reduction.

*Q If I purchase service credit with TFFR, how can I pay for that purchase?*

*A* Members can do a single lump-sum payment using a personal check or use rollover money from a traditional IRA, qualified 401(a) and 401(k) plans, 403(b) tax sheltered annuity or governmental 457 deferred compensation plans. Installment payments may also be set up for as long as five years.

*Q Can my employer purchase service credit on my behalf?*

*A* Yes. Once an employer establishes guidelines, an employer may purchase up to three years of service credit as long as the member's age plus service credit equals 77; or the member is at least age 55 with three years of service credit. In addition, the employer can't give the member the option between an employer service purchase and an equivalent amount in cash.

*Q Why can't you give me my account value over the phone?*

*A* Due to TFFR's confidentiality laws and for your protection this information can not be obtained over the telephone. We can send this information to the address we have on file for you.



## Pension Software Project Continues

After evaluating the responses to the ND RIO Request for Proposal, the pension software upgrade contract was awarded to CPAS Systems Inc.

Contract negotiations were completed and the template software installed in a test environment. The next step is to develop the functional specifications and customize the system to meet TFFR's needs. The conversion and implementation of the new software is scheduled for completion by June 30, 2005.

## Staff Members Receive Certifications

The International Foundation for Retirement Education (InFRE) provides designations for Certified Retirement Counselors (CRC) and Certified Retirement Administrators (CRA). The professionals that earn these designations must be trained to understand the complex array of retirement plans, benefits, and investment options facing workers

today. Individuals earning the CRC or CRA certification follow a code of ethics, meet annual continuing education requirements, and are recognized as part of an elite group of dedicated and knowledgeable retirement industry professionals.

Currently, TFFR has three Certified Retirement Counselors and one Certified Retirement Administrator on staff. These individuals have made a commitment to their profession and to the membership of TFFR.



*Pictured left to right: Denise Weeks, CRC; Shelly Schumacher, CRC; Fay Kopp, CRA; Paula Brown, CRC*

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